

DATED

31 ~~st~~ March 2009

ASSIGNMENT, NOVATION AND AMENDMENT AGREEMENT

relating to

the assignment of the Third Party Interest under the Production Sharing Contract relating to
the Dohuk Block

between

THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ

and

DNO IRAQ AS

and

GENEL ENERGY INTERNATIONAL LIMITED



THIS ASSIGNMENT, NOVATION AND AMENDMENT AGREEMENT is entered into on 31 ~~51~~ March 2009 (the "Completion Date").

BETWEEN

PARTIES

- (1) **THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ**, duly represented by His Excellency the Minister of Natural Resources Dr. Ashti Hawrami, and hereinafter referred to as the "Assignor";
- (2) **DNO IRAQ AS**, a company established and existing under the laws of Norway, whose registered office is at Stranden 1, Aker Brygge, PO Box 1345 Vika, 0113 Oslo, Norway, duly represented by Helge Eide, Chairman, and hereinafter referred to as "DNO"; and
- (3) **GENEL ENERGY INTERNATIONAL LIMITED**, a company incorporated and existing under the laws of Anguilla, British West Indies, whose registered office is at Caribbean Suite, The Valley, Anguilla, British West Indies, TV1 11P, duly represented by Mehmet Sepil, Chief Executive Officer and Director, and hereinafter referred to as the "Assignee".

The parties hereto are individually referred to as a "Party" and collectively as the "Parties".

BACKGROUND

- (A) A Production Sharing Contract (amended as referred to in Recital (B) being hereafter referred to as the "Contract") in respect of Petroleum Operations relating to the Dohuk Block in the Kurdistan Region of Iraq was executed on 13 March 2008 between the Assignor and DNO as CONTRACTOR;
- (B) The Contract was amended by agreement between the Assignor and DNO on 10 September 2008 (hereafter the "Amendment and Relinquishment Agreement") and by a letter dated 10 September 2008 from the Assignor to DNO;
- (C) Article 4.6 of the Contract provides for an option, held by the Assignor, of assigning an interest in the Contract, defined in the Contract as the Third Party Interest, of up to forty per cent (40%);
- (D) The Assignor and DNO wish to further amend Article 4.7 of the Contract, providing for the option of assigning the Third Party Interest to continue until 31 March 2009;
- (E) The Assignor wishes to assign the entirety of the Third Party Interest, namely an undivided interest of forty per cent (40%) as a **CONTRACTOR** Entity in all of the rights, duties, obligations and liabilities under and in the Contract (save as provided in and subject to Article 4 of the Contract) pursuant to Article 4.6 of the Contract (hereafter the "Assigned Interest"), and the

Assignee wishes to accept such rights, duties, obligations and liabilities under and in the Contract in so far as they relate to the Assigned Interest; and

- (F) Subject to this Agreement, the Assignor wishes to be released and discharged from the Contract in relation to the assignment of the Assigned Interest and the novation of the Contract, and the Assignee and DNO wish to release and discharge the Assignor in relation to the Assigned Interest upon the terms of the Assignee's undertaking to perform the Contract and be bound by the terms of the Contract in relation to the relevant Assigned Interest.

AGREED TERMS

1. DEFINITIONS AND INTERPRETATION

- 1.1 Unless otherwise defined herein (including the recitals) capitalized terms have the meanings ascribed to them in the Contract and in the Amendment and Relinquishment Agreement. Article 1.2 of the Contract shall apply hereto *mutatis mutandis*.
- 1.2 In this Agreement "Participation Date" means 10th September, 2008.

2. NOVATION

- 2.1 With effect on and from the Participation Date, the Assignor shall assign and transfer all the Assignor's rights, duties, obligations and liabilities arising in connection with the Assigned Interest under the Contract to the Assignee and the Assignee shall become a party to the Contract subject to the terms of this Agreement, and the Assignee shall accede to the Contract.
- 2.2 With effect from the Completion Date, subject to Article 2.3 and Article 3 below, the Assignee undertakes to each of the Assignor and DNO to perform all of the Assignee's obligations under the Contract and be bound by the terms of the Contract in every way as if the Assignee had been a party to the Contract as a **CONTRACTOR** Entity in respect of the Assigned Interest, on and from the Effective Date, provided that the Assignee will not be liable for:
- (a) any proportion of Petroleum Costs prior to the Effective Date, or for the avoidance of doubt, any proportion of the Transferred Dohuk Petroleum Costs; or
 - (b) any proportion of Government Interest share of the **CONTRACTOR**'s Petroleum Costs; or
 - (c) the Excluded Payments (as defined in Article 4.3) prior to, as at, or following the Completion Date; and

in respect of all the Petroleum Costs paid by DNO prior to the Participation Date under the Contract, including the Water Project Payment which is recoverable as Petroleum Costs in accordance with the letter referred to in Recital (B), the right and entitlement to Available Petroleum under Article 25 of the Contract shall vest in and be exercisable by DNO and the Assignee shall only be entitled to recover Petroleum Costs under Article 25 of the Contract as

a **CONTRACTOR** Entity if and to the extent that the Assignee has incurred and paid for such Petroleum Costs on and after the Participation Date. As between the **CONTRACTOR** Entities, Petroleum Costs incurred prior to the Participation Date shall be recovered first by DNO, and thereafter the priority of recovery of Petroleum Costs on and after the Participation Date shall be first for recovery of Petroleum Costs incurred in respect of operating costs and thereafter exploration and development costs and expenditures and any Water Project Payment, with the costs, expenditures and Water Project Payment instalments incurred earliest in time being recovered first.

- 2.3 Nothing in this Agreement shall affect or prejudice any claim or demand which either the Assignor or DNO may have in connection with the Assigned Interest against the other relating to matters prior to the Participation Date.
- 2.4 It is hereby agreed that the Contract shall continue in full force and effect and that, as from the Completion Date, its terms have only changed to the extent set out in this Agreement.
- 2.5 The Assignee together with DNO (as **CONTRACTOR** Entities under the Contract) jointly and severally covenant with and in favour of the Assignor that they will perform and observe the terms and conditions contained in the Contract and on the part of the **CONTRACTOR** to be performed and observed.

3. AMENDMENTS TO THE CONTRACT

- 3.1 The Parties agree that the following amendments set out in this Article 3 shall be made to the Contract with effect from the Completion Date.
- 3.2 On the Completion Date, the Assignee shall, by virtue of this Agreement and pursuant to the provisions of the Contract, become a **CONTRACTOR** Entity under the Contract.
- 3.3 Amendments to the Contract
- 3.4 (a) The first paragraph of the Contract setting out the parties shall be amended so as to read:

"BETWEEN AND AMONG

THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ, in Dohuk, Kurdistan Region, the Republic of Iraq, as represented by His Excellency the Minister of Natural Resources Dr. Ashti Hawrami (the "**Government**");

AND

DNO IRAQ AS, a company established and existing under the laws of Norway, whose registered office is at Stranden 1, Aker Brygge, PO Box 1345 Vika, 0113 Oslo, Norway ("**DNO**");

AND

GENEL ENERGY INTERNATIONAL LIMITED, a company incorporated and existing under the laws of Anguilla, British West Indies, whose registered office is at Caribbean Suite, The Valley, Anguilla, British West Indies, TV1 11P ("**Genel**")."

- (b) The definition of "**Contractor Entity**" in Article 1.1 of the Contract shall be amended by replacing the penultimate sentence with the following:

"**DNO Iraq AS** and **XYZ LTD.** as the **CONTRACTOR** Entities as at the Effective Date, own an undivided interest in the Petroleum Operations in respect of the entire Contract Area in the following percentages at the Effective Date:

DNO Iraq AS	40%
Genel Energy International Limited	40%"

- (c) Article 4.7(a) of the Contract is amended so as to read "31 March 2009".
- (d) The following provisions shall replace the existing provisions of Article 44 of the Contract:

"44.1 **Address**

Any notice, instruction, waiver, consent, claim or demand or other communication made in connection with this Contract or with any arbitration under this Contract shall be in writing in English (each a "**Notice**"), and shall be sufficiently given if delivered or sent as follows:

"To the **Government**:

Attention: His Excellency the Minister of Natural Resources

Address:

Ministry of Natural Resources

Kurdistan Regional Government

Dohuk, Kurdistan

Email: mnr@krgoil.com

To the **CONTRACTOR**:

In case of **DNO Iraq AS**

Attention: Magne Normann

Address:

39th Floor Shatha Tower
PO Box 502503
Dubai Media City
Dubai
United Arab Emirates

Email: magne.normann@dno.no

In case of **Genel Energy International Limited**

Attention: Mehmet Sepil

Address:

Turan Emeksiz
Sokak Park Sitesi
Kat:5 No:12 06990 Kavaklıdere
Ankara, Turkey
Email: m.sepil@genel-enerji.com''

44.2 Form

44.2.1 Any Notice shall be in writing in English and shall be sent by:

- (i) delivering it by hand to that Party's address set out in Article 44.1;
- (ii) internationally recognised courier to that Party's address set out in Article 44.1; or
- (iii) electronic means to that Party's email address set out in Article 44.1.

44.2.2 Other than as specifically provided for in this Contract, any Notice shall be deemed to have been received:

- (i) if delivered by hand to a Party's address, on the day of delivery if a Business Day, otherwise on the next succeeding Business Day;

- (ii) if sent by internationally recognised courier, on the Business Day delivered; or
- (iii) if delivered by electronic means, by the intended recipient 24 hours after it was transmitted, and for proving such receipt it shall be sufficient to show that such notice, document or information was properly addressed,

provided that in each case where delivery by hand, by fax or by email occurs after 5 p.m. on a Business Day service shall be deemed to occur at 9 a.m. on the next Business Day.

For the purposes of this Article 44.2.2, the term "**Business Day**" shall mean a day (other than a Saturday, Sunday or public holiday) on which banks are open for general business in (a) the Kurdistan Region, and (b) London, United Kingdom.

44.3 Change of Address

A Party may at any time notify the other Parties of a change of its name, relevant addressee, address, fax number or email address for the purposes of this Article 44, provided that such notice shall only be effective on (i) the date specified in the notice as the date on which the change is to take place; or (ii) if no date is specified or if the date specified is less than five (5) days after the date on which notice is given, the date following five (5) days after the notice of any change has been given."

4. PAYMENT PROVISIONS

- 4.1 (a) On the Completion Date, the Assignee shall be liable for and shall be obliged only to pay its Assigned Interest share of Petroleum Costs accrued on and from the Effective Date, including without limitation the Minimum Exploration Obligations and the Production Bonuses. For the avoidance of doubt, the Assigned Interest share of Petroleum Costs does not include any proportion of the Water Project Payment. The payment by DNO of the Water Project Payment shall be made in accordance with Articles 18, 19 and 20 of the Amendment and Relinquishment Agreement.
- (b) The amount of Petroleum Costs accrued on and from the Effective Date for the period up to and including the date referred to in Annex A shall be payable by the Assignee to the Assignor within thirty (30) days of the Completion Date to the Assignor's bank account set out in Annex A.
- (c) The payment by the Assignee of the amount of Petroleum Costs referred to in Article 4.1(b) shall be subject to the Assignee's right of



audit under the Joint Operating Agreement in order to verify the correctness of such amount.

- (d) Following the Completion Date, and until the Joint Operating Agreement is entered into, DNO shall be entitled to invoice the Assignee for its Assigned Interest share of all Petroleum Costs incurred in the period after the date referred to in Annex A and to cash call the Assignee for all Petroleum Costs anticipated to be incurred in each calendar month. The Assignee shall pay the cash calls referred to in Annex A in full within thirty (30) days of the Completion Date. Thereafter, each invoice and cash call shall be paid by the Assignee in full in accordance with paragraph 2 of the accounting procedure attached to the Joint Operating Agreement, subject always to the Assignee's right of audit under the Joint Operating Agreement to verify the correctness of such amount invoiced or cash called.
- (e) In addition to the Assignee's obligation to pay Petroleum Costs as stated in Articles 4.1(b) and (d) (such obligation to exclude the Water Project Payment as provided in Article 4.1(a)), the Assignee shall be liable to pay the Assignor upon the entry into of the Joint Operating Agreement its Assigned Interest share of all other operating costs, expenditures and Operator's administration and overhead charges, which are not Petroleum Costs, and which are payable under the Joint Operating Agreement on and from the Participation Date.
- 4.2 The Parties agree that the Assignee shall not be liable for any share of Petroleum Costs accrued prior to the Participation Date.
- 4.3 The Parties agree that the Assignee shall not be liable for any proportion of Government Interest share of the CONTRACTOR's Petroleum Costs.
- 4.4 The Parties agree that the Assignee shall not be liable to DNO or the Assignor for any Signature Bonus, Capacity Building Bonus, or for any part of the Water Project Payment payable or paid under the Contract and any obligation to contribute to DNO's share of all Petroleum Costs under the Contract before the Participation Date (the "Excluded Payments").
5. **REPRESENTATIONS, WARRANTIES AND COVENANTS**
- 5.1 The Assignee represents and warrants that as at the Completion Date it is financially and technically capable of fulfilling its duties and obligations under the Contract; and the Assignee agrees to provide within seven (7) days of the Completion Date a guarantee to the Assignor pursuant to Article 9.1 of the Contract to cover its CONTRACTOR Entity interest share of the outstanding Minimum Financial Commitment for the First Sub-Period in a form acceptable to the Assignor.
- 5.2 DNO hereby confirms to the Assignee that as at the Completion Date it has received reasonable evidence of the Assignee's technical and financial capability to discharge the obligations of CONTRACTOR Entity under the Contract and a Joint Operating Agreement in respect thereof.

- 5.3 The Assignor covenants and agrees that it will not grant to any third party any rights which would conflict or be inconsistent with the rights granted hereunder and under the Contract or other than as provided under the Contract, and that the Option of Third Party Participation has been fully exercised pursuant to the Contract.
- 5.4 (a) Each of the Assignor and DNO represents and warrants to the Assignee that as at the Completion Date it has the power and authority to enter into this Agreement and that no Joint Operating Agreement has been or will be entered into prior to the Completion Date.
- (b) The Assignor hereby represents and warrants to DNO and the Assignee that it has not entered into any other agreements, deeds, instruments, arrangements, or undertakings of any nature with any other third party in which it agrees to transfer or grant rights with respect to the Assigned Interest being transferred hereunder to such third party and that the Assigned Interest is free and clear of all liens, claims and any other encumbrance whatsoever.

6. MISCELLANEOUS

- 6.1 Articles 36, 39, 41, 42, 43, 44 (as amended) and 46 of the Contract shall apply to this Agreement *mutatis mutandis*.
- 6.2 Following the Completion Date, DNO and the Assignee shall meet as soon as reasonably practicable to agree and enter into a Joint Operating Agreement which shall be substantially in the form attached in Annex B.

7. COUNTERPARTS

This Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

This Agreement has been signed by the duly authorised representatives of the Parties on the Completion Date.

For and on behalf of DNO

DNO IRAQ AS

Signature

.....
Helge Bide



For and on behalf of the Assignee

GENEL ENERGY INTERNATIONAL LIMITED

Signature

.....
Mehmet Sepil



For and on behalf of the Assignor

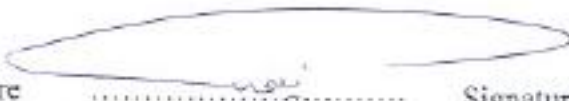
THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ

Prime Minister
Kurdistan Regional Government
On behalf of the Regional Council
for the Oil and Gas Affairs of
the Kurdistan Region -Iraq

Minister of Natural Resources
Kurdistan Regional Government
On behalf of the Ministry of Natural
Resources in the Kurdistan Region

Signature

.....
Nechirvan Barzani



Signature

.....
Ashti Hawrami



Annex A

A. Pre 2009 Cash Call - Assignee

1. Assignee's Assigned Interest Share of Petroleum Costs from the Participation Date of 10 September 2008 until 1st January 2009 is an amount equal to **\$253,345** (40% Working Interest of Assignee)

Notes:

The total of Petroleum Costs incurred and applicable to the Dohuk PSC from 10th September 2008 up to 1st January 2009 is an amount equal to \$633,364 (100%).

B. 2009 Cash Call - Assignee

1. Cash calls to be paid by the Assignee within thirty (30) days of the Completion Date.

Cash call for months: January, February and March 2009

Cash call amount: \$ 179,566 (40% Working Interest of Assignee)

C. Bank Details of DNO Iraq AS

DNO Iraq AS' bank account details to which payment is to be made are as follows:

Funds Transferred to: J P Morgan Chase Bank – New York
SWIFT: CHASUS33XXX
Account Name: Emirates Bank International A/c No 000544748893
UID: 122786
SWIFT: EBILAEAD
Beneficiary: DNO Middle East
Account No: 0073-359585-013

Annex B
Form of Joint Operating Agreement

A handwritten signature in blue ink, consisting of stylized, cursive letters, located in the bottom right corner of the page.